



**AriSEIA**  
Arizona Solar Energy  
Industries Association



0000113947

RECEIVED

111 West Renee Dr.  
Phoenix, AZ 85027  
Tel: 623-587-6432

2010 JUL -9 P 3: 38

ORIGINAL

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

July 9, 2010

JUL -9 2010

Commissioners  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

DOCKETED BY

**Re: AriSEIA response to draft proposed Feed-in-Tariff Policy Statement: Docket No. E-00000J-09-0505**

Chairman Mayes and Commissioners:

ARISEIA has reviewed the draft ACC Policy Statement on Feed-in Tariffs from Commissioner Mayes and offers the comments below.

ARISEIA supports the addition of a feed-in tariff (FiT) to the programs available to stimulate renewable energy development in Arizona. We believe a properly designed program could stimulate development of solar systems and expand the participation in underserved markets and make promising gains in an incremental fashion. We strongly favor the proposal to include such programs on the non-distributed generation portion of the REST standard, where steady generation additions are most needed.

AriSEIA believes FiT projects belong in the non-distributed category since some of the fundamental elements of any FiT include: a) a standard contract to be used for all projects, and b) all electricity produced by solar PV systems in the program to be sold directly to the utility (meaning the solar PV system does not offset a particular load).

We recognize the concern about FERC jurisdiction, yet we would like to see the system size expanded to cover a second class of systems above 1 MW up to 20 MW. This would result in at least two FiT categories: 1) under 1 MW and 2) 1MW to 20MW. ARISEIA understands that FiT programs in other jurisdictions typically have more detailed categories and rate structures and recommends that further discussions be held with all stakeholder groups to arrive at an optimal program. The size of systems will be important in order to make substantial contributions to the large non-distributed generation goals of the REST. Perhaps program modification can be designed by the utilities to accommodate the FERC process, if needed. An example would be to recognize the value of projects connected at or close to the utilities' load centers in the FiT pricing.

With regard to the design of the program, we believe it is critical to set a proper fixed rate that will attract sufficient interest from participants, yet not result in excessive stimulus. A trigger mechanism to reduce FiT prices can be included in the program in order to ensure

that technology price declines are captured within the FiT. A competitive bidding structure tends to reward overly aggressive submissions, which can result in the inability to finance or complete a project. This situation is exacerbated when combined with timelines for completion that are in excess of 18 months, since the volatility of the market has led to speculation by inexperienced developers.

Markets that have a track record of successful FiT programs are characterized by a fixed FiT rate that allows a more orderly assessment of project finance to enhance financing success. ARISEIA will comment further on specific utility filings with regard to program design in the future.

The FiT will allow more participation in renewable energy development in Arizona if rates are set appropriately. Under such circumstances, the most likely beneficiaries of the FiT are property owners who have the funds to invest in solar "as an annuity" and/ or independent developers who will rent roofs or land.

We believe that most smaller scale utility customers may still prefer the distributed generation programs using the PBI structure over the FiT, since PBIs provide a hedge against high electric utility price escalation, whereas a FiT represents a fixed rate of return through revenue generated purely from the sale of electricity and RECs combined. ARISEIA believes it is important for the ACC and utilities to work in concert with all stakeholders to develop effective programs that achieve the intended results for Arizona rate payers.

ARISEIA's members have keen insight into design features of various incentive programs and we wish to be an active part of the development and revisions to renewable energy incentive programs. We support the addition of this new feed-in tariff program and look forward to participating in the development of the 2011 REST implementation plans for Arizona utilities.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Neary".

(signed Michael Neary, Executive Director, on behalf of Lee Feliciano)

Lee Feliciano

President

Arizona Solar Energy Industries Association